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Message Text

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15
ACTION EA-10

INFO OCT-01 ISO-00 SS-15 NSC-05 NSCE-00 SP-02 CIAE-00

COME-00 EB-04 INR-05 LAB-01 NSAE-00 PA-01 RSC-01

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SUBJECT: 1974 FALL CANTON FAIR PROGRESS REPORT

REF: PEKING 1830

SUMMARY COMMENT: AS THE 36TH CANTON EXPORT COMMODITIES FAIR APPROACHED THE END OF ITS THIRD WEEK, PERFORMANCE CONTINUED TO BE LACKLUSTER AND THERE APPEARED TO BE LITTLE PROSPECT FOR IMPROVEMENT. EVEN THE WEATHER SEEMED DETERMINED TO REDUCE BUSINESS AS CANTON RECEIVED ITS SECOND UNSEASONAL TYPHOON AND FORECASTS FOR A THIRD. DEPRESSED INTERNATIONAL MARKETS CONTINUED TO RECEIVE MOST OF THE BLAME FOR THE FAIR'S POOR PERFORMANCE, BUT TRADITIONAL PROBLEMS OF HIGH CHINESE PRICES IN CERTAIN COMMODITIES AND LIMITED AVAILABILITIES ALSO CONTRIBUTED TO THE OVERALL SLOWNESS OF BUSINESS. IN CONTRAST TO EARLIER FAIRS, HOWEVER, THE CHINESE ARE NOTICEABLY ANXIOUS TO SELL AND ARE MAKING A SPECIAL EFFORT TO BE ACCOMMODATING TO VISITING BUSINESSMEN. AMERICANS HAVE CONTINUED TO RECEIVE NUMEROUS COMPLAINTS FROM THE CHINESE ABOUT US TARIFF AND REGULATORY RESTRAINTS ON PRC EXPORTS, BUT US BUSINESSMEN ALSO REPORT THE CHINESE HAVE MADE FURTHER PROGRESS IN MEETING PACKAGING, LABELING, AND
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SHIPPING REQUESTS IN ORDER TO SELL THEIR PRODUCTS. ATTENDANCE

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BY EUROPEANS, JAPANESE, AND THIRD WORLD BUSINESSMEN IS NOTICEABLY DOWN AND ONLY THE OVERSEAS CHINESE, AUSTRALIANS, AND AMERICANS ARE PRESENT IN NUMBERS WHICH EXCEED THOSE OF THE SPRING FAIR. END SUMMARY COMMENT.

1. ATTENDANCE. AUSTRALIAN ATTENDANCE HAS REACHED A RECORD HIGH WITH OVER 200 BUSINESSMEN PLUS TRAVELERS RETURNING FROM THE AUSTRALIAN EXHIBITION IN PEKING. THIS IS IN MARKED CONTRAST, HOWEVER, TO THE DECLINE IN BUSINESSMEN FROM WESTERN EUROPE, CANADA, AND JAPAN WHICH HAS BEEN EVIDENCE FROM THE BEGINNING OF THE FAIR AND IS LIKELY TO CONTINUE THROUGH TO THE END. ITALY AND FRANCE CONTINUE TO HAVE THE FEWEST TRADERS, BUT EVEN YUGOSLAVIA REPORTED A DECLINE TO 24 FROM 60 AT THE SPRING FAIR. US ATTENDANCE REMAINS HIGH AND SEEMS LIKELY TO EXCEED THE LEVEL OF THE SPRING FAIR. AS OF NOVEMBER 3, APPROXIMATELY 220 AMERICANS REPRESENTING SOME 145 FIRMS HAD VISITED CANTON. THESE INCLUDE A SMALL GROUP OF US FIRMS WITH EXPORT AS WELL AS IMPORT POTENTIAL. NEW ARRIVALS IN THIS GROUP INCLUDE: CALTEX (REPRESENTED BY ITS HONG KONG OFFICE), AMERICAN CAN, GENERAL FOODS, KAISER TRADING, CONTROL DATA, UNION CARBIDE AND DUPONT.

3. ON A CORPORATION BY CORPORATION BASIS, USLO OFFICERS WHO HAVE BEEN AT THE FAIR HAVE THE FOLLOWING IMPRESSIONS:

A. FOODSTUFFS - OF PERHAPS GREATEST INTEREST TO THE US WERE TALKS LAST WEEK WITH CEROILFOOD, BY CHICAGO BOARD OF TRADE PRESIDENT WARREN LEBECK AND REPRESENTATIVES OF MERRILL LYNCH ON THE COMMODITIES FUTURE MARKET IN THE US. LEBECK EXPLAINED THE MARKET'S OPERATION WHILE THE MERRILL LYNCH PEOPLE ARE HOPING TO INTEREST THE CHINESE IN HIRING THE FIRM TO REPRESENT THE PRC IN THE FUTURES MARKET. ON THE TRADING SIDE, CHINESE OFFERINGS OF FOODSTUFFS HAVE BEEN EXTREMELY LIMITED AND OFTEN AT PRICES ABOVE WORLD MARKET LEVELS. THE CHINESE ARE OFFERING RICE IN LOWER GRADES AT REASONABLE PRICES BUT ARE HAVING DIFFICULTY MAKING SALES DUE TO GOOD HARVESTS IN INDONESIA AND SOME OTHER PARTS OF SOUTHEAST ASIA. HIGHER GRADES OF RICE ARE ALSO BEING OFFERED, BUT AT PRICES WHICH PRECLUDE BUSINESS.
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THE CHINESE ARE OFFERING SOYBEANS, BUT HIGH MOISTURE CONTENT (17 PERCENT) AND GENERALLY HIGH PRICES HAVE THUS FAR PREVENTED PURCHASES FROM WESTERN EUROPE.

B. CHEMICALS - IN VIEW OF THE LARGE NUMBER OF US CHEMICAL FIRMS INVITED TO CANTON, THE CHINESE APPARENTLY HOPE TO USE THIS FAIR TO BECOME BETTER ACQUAINTED WITH THE US MARKET AND TO INCREASE THEIR SALES TO THE US. A

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REPRESENTATIVE OF THE CHINA NATIONAL CHEMICALS IMPORT
AND EXPORT CORPORATION TOLD USLO OFFICERS THAT HIS CORPORATION
IS UNFAMILIAR WITH THE US MARKET, BUT HOPES FOR
IMPROVED TRADE DESPITE MFN AND FDA RESTRAINTS. SOME
PROGRESS APPEARS TO HAVE BEEN MADE, AS MOST US CHEMICAL
FIRMS REPORT THEY HAVE DONE AT LEAST SOME BUSINESS AND ONE
FIRM, SCHERING, REPORTED PURCHASING DOLS 1.25 MILLION WORTH
OF ONE ITEM. CHINA'S MAJOR CHEMICAL TRADE, HOWEVER,
REMAINS WITH ITS TRADITIONAL EUROPEAN AND JAPANESE SUPPLIERS
WHO REPORTED ONLY A VERY LIMITED AMOUNT OF BUSINESS IN
THE FIRST TWO WEEKS OF THE FAIR. FACED WITH A CHANGING
INTERNATIONAL MARKET SITUATION THE CHINESE HAVE ADOPTED
A CAUTIOUS POLICY OF HOLDING OFF SOME PURCHASES AND
SOME SALES IN THE HOPE THAT MORE FAVORABLE PRICES WILL
PREVAIL LATER ON.

C. TEXTILES - THAT DISASTER HAS STRUCK THE CHINA NATIONAL
TEXTILES IMPORT AND EXPORT CORPORATION IS CLEARLY EVIDENT IN
ITS EMPTY DISCUSSION ROOMS AND THE BORED EXPRESSIONS OF ITS
NEGOTIATORS WHO HAVE TAKEN TO BUTTONHOLING VISITORS IN AN
ALMOST DESPERATE EFFORT TO FIND BUSINESS. IN PIECE GOODS, CHINESE
PRICES HAVE FOLLOWED THE DECLINE IN WORLD MARKETS AND ARE DOWN
BY 30 TO 40 PERCENT, BUT THERE ARE STILL NO BUYERS. ITALIAN,
FRENCH AND JAPANESE SILK BUYERS, FACED WITH LARGE, OVERPRICED
INVENTORIES PURCHASED AT PREVIOUS FAIRS, HAVE STAYED HOMEIGNORING A
SERIES OF SIGNIFICANT PRICE REDUCTIONS IN THIS COMMODITY.
IN GARMENTS, CONDITIONS ARE SOMEWHAT BETTER BUT BUSINESS
IS SLOW AND PURCHASES BY AMERICAN BUYERS HAVE BEEN
LIMITED TO RELATIVELY SMALL QUANTITIES OF STANDARD ITEMS
SUCH AS COTTON T-SHIRTS. NEVERTHELESS, A NUMBER OF US
APPAREL FIRMS FEEL THEY HAVE ESTABLISHED A GOOD FOUNDATION
FOR FUTURE BUSINESS WITH THE CHINESE. THE CHINESE HAVE
COME SOME WAY IN THE LAST TWO YEARS TOWARD ACCOMMODATING
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REQUESTS FROM US BUYERS FOR CHANGES IN STYLES AND LABELING,
BUT SHRINKAGE REMAINS A MAJOR PROBLEM AND HAS BEEN THE
SUBJECT OF SEVERAL DISCUSSIONS AT THIS FAIR.

D. MINERALS AND METALS - WHILE THIS BUSINESS HAS
TRADITIONALLY BEEN DONE IN THE LATTER PART OF THE FAIR,
EXPERIENCED EUROPEAN TRADERS REPORT THAT THE CHINESE
HAVE NOT FOLLOWED THE SLUMP IN WORLD MARKET PRICES AND
THAT THIS MAY PRECLUDE SUBSTANTIAL BUSINESS AT THIS FAIR.
SO FAR THE CHINESE HAVE OFFERED TIN, TUNGSTEN, ANTIMONY,
MERCURY, AND BAUXITE, BUT USLO OFFICERS HAVE HEARD OF
ACTUAL PURCHASES ONLY IN BAUXITE ORE. AMONG THE AMERICANS,
THE DELAWARE STEEL COMPANY (PHILADELPHIA) AND THE CLEVELAND
TAPE COMPANY HAVE TALKED TO THE CHINA NATIONAL METALS AND
MINERALS IMPORT AND EXPORT CORPORATION WITH THE LATTER

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COMPANY PURCHASING A QUANTITY OF STEEL WIRE.

E. MACHINERY - PERHAPS THE LONGEST FACES AT THE FAIR ARE THOSE WORN BY FOREIGN MACHINERY COMPANY REPRESENTATIVES WHO HOPE TO SELL TO CHINA. EUROPEANS FIRMS REPORT ALMOST NO CHINESE INTEREST IN NEW PURCHASES, BUT MOST PLAN TO HANG ON, HOWEVER GRIMLY, UNTIL THE END OF THE FAIR. THREE OR FOUR US FIRMS HAVE BEEN REPRESENTED IN THE MACHINERY AREA, AND ONE FIRM, SUMMIT MACHINE TOOL COMPANY, HAS REPORTEDLY PURCHASED CHINESE LATHES WORTH MORE THAN DOLS 160,000. THE CHINA NATIONAL MACHINERY IMPORT AND EXPORT CORPORATION AND THE CHINA NATIONAL PACKAGING CORPORATION HAVE ALSO HELD TALKS WITH THE AMERICAN CAN COMPANY AND WITH LIBBY'S ON FOOD PROCESSING TECHNOLOGY AND THE POSSIBLE SALE OF CANNING PLANTS AND MACHINERY TO THE PRC.

F. LIGHT INDUSTRY AND NATIVE PRODUCE - IN THESE TWO IMPORT EXPORT AREAS PRICES ARE DOWN AND BUSINESS IS BEING DONE IN A WIDE VARIETY OF PRODUCTS. US BUYERS HAVE BEEN PARTICULARLY ACTIVE AND REPORT SATISFACTION WITH CHINESE STYLES IN BASKETWARE, DECORATOR ITEMS, AND ART OBJECTS. ANTIQUE PRICES ARE DOWN AND MANY US VISITORS HAVE MADE PURCHASES FOR THEIR PRIVATE COLLECTIONS. MAJOR US PURCHASES FROM THESE CORPORATIONS HAVE INCLUDED DOLS 750,000 OF A BROAD RANGE OF ITEMS BY THE COCA-COLA DEVELOPMENT CORPORATION, DOLS 500,000 OF WINDOW GLASS BY NORMAL GOLDSTEIN
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ASSOCIATES, AND DOLS 100,000 WORTH OF BASKETS BY VANDOR IMPORTS.

4. REFERENCES ABOVE TO THE BUSINESS OF PARTICULAR FIRMS AT CANTON IS COMMERCIALLY SENSITIVE AND SHOULD BE CLOSELY HELD.
BUSH

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